

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 HEW-06 CIAE-00 DODE-00 INR-07 NSAE-00

PA-02 USIA-15 PRS-01 SP-02 /046 W

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5583

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY ROME

UNCLAS SECTION 01 OF 02 PARIS 30907

E.O. 11652: N/A

TAGS: PLAB, FR

SUBJECT: THE POLITICS OF THE SOCIAL SECURITY DEFICIT

1. FINANCE MINISTER FOURCADE STIRRED A BIT OF A STORM BY A STATEMENT THAT IN HIS OPINION THE EXPECTED NINE BILLION FRANC SOCIAL SECURITY DEFICIT IN 1976 SHOULD BE COVERED BY AN INCREASE IN EMPLOYEE CONTRIBUTIONS. HE THOUGHT THAT EMPLOYER CONTRIBUTIONS ARE ALREADY TOO HIGH AND CANNOT STAND FURTHER INCREASE.

2. PREDICTABLY AND WITHOUT EXCEPTION ALL UNIONLEADERS CRITICIZED FOURCADE AND, AMONG OTHER THINGS, REMINDED HIM OF THE FACT THAT ONE OF REASONS FOR THE SS DEFICIT IS THE LENIENCE SHOWN BY GOF IN ALLOWING EMPLOYERS IN ALLEGED OR REAL FINANCIAL DIFFICULTY TO FORGO PAYMENT OF SS CONTRIBUTIONS. THE IMPLICATION IN THIS REMINDER IS THAT NON-PAYMENT OF EMPLOYERS' SHARE TO SS HAS BECOME AN UNAVOWED METHOD OF PROVIDING FINANCIAL ASSISTANCE TO COMPANIES IN DIFFICULTY.

3. THE LABOR MINISTER ISSUED A CURT STATEMENT REFUSING ANY COMMENT ON A MATTER WHICH HAS NOT BEEN CONSIDERED YET BY GOF. INESCAPABLY THE PM WAS BROUGHT INTO THE DEBATE. HIS STATEMENT LEFT NO DOUBT ABOUT HIS DISAGREE-
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MENT WITH FOURCADE'S APPROACH, BUT WAS COUCHED IN

RESTRAINED LANGUAGE DESIGNED TO SHOW THAT THE SS WAS
AS COMPLEX A PROBLEM AS IT WAS SERIOUS.

4. IN RESPONSE TO THIS TEMPEST FOURCADE RETRACTED
SOMEWHAT, EMPHASIZING THAT HE WAS SPEAKING PERSONALLY
BUT AT THE SAME TIME UNFOLDED THE ANTI-INFLATION
BANNER, THEREBY CONFIRMING HIS WELL-KNOWN VIEW THAT
INFLATION IS THE PRINCIPAL ENEMY.

5. TWO EXPLANATIONS CAN BE SUGGESTED FOR FOURCADE'S
INITIATIVE TO LAUNCH AN IDEA WHICH VERY FEW PEOPLE IN
PARIS WOULD CONSIDER LIKELY TO BE PUT INTO EFFECT:

(A) IN HIS PREOCCUPATION WITH INFLATION AND IN LINE
WITH HIS TECHNOCRATIC APPROACH TO FINANCIAL PROBLEMS,
FOURCADE GENUINELY FEELS THAT A FURTHER REDUCTION IN
THE RATE OF INCREASE OF THE WORKERS' PURCHASING POWER
IS JUSTIFIED IF NOT INDISPENSABLE TO HELP COMBAT IN-
FLATION. THUS HE ACTUALLY EXPRESSED A PERSONAL VIEW
WHICH HE IS OBVIOUSLY PREPARED TO ARTICULATE IN PUBLIC
WITHOUT REGARD TO THE POLITICAL CONSEQUENCES
EXEMPLIFIED BY THE OVERWHELMING NEGATIVE REACTION OF
LABOR LEADERS. BY SO DOING HE SHARPENED THE DIFFERENCES
WHICH HAD BEEN FREQUENTLY REPORTED BETWEEN HIMSELF AND
CHIRAC, WHO IS MORE SENSITIVE TO THE POLITICAL
SITUATION AND AS A RESULT TENDS TO GIVE AT LEAST
EQUAL IMPORTANCE TO UNEMPLOYMENT AS HE DOES TO
INFLATION. THE CAREFUL LANGUAGE USED BY CHIRAC TO
DISASSOCIATE HIMSELF FROM FOURCADE'S VIEWS ON SS WAS

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INTENDED TO SAFEGUARD HIS GOVERNMENT FROM APPEARING
UNCOORDINATED.

(B) THE SECOND EXPLANATION CONSIDERS THAT FOURCADE
ACCEPTED THE SACRIFICIAL ROLE OF LAUNCHING IN BEHALF
OF GOF A TRIAL BALLOON TO TAKE A MEASURE OF THE RE-
ACTIONS IT WILL PROVOKE BUT ALSO TO PUT ACROSS THE
MESSAGE THAT RAISING EMPLOYEE COUNTRIBUTIONS IS NOT TO
BE EXCLUDED FROM THE RANGE OF POSSIBLE SOLUTIONS TO
THE SS DEFICIT PROBLEM. HENCE THE CAREFUL REACTION OF
BOTH CHIRAC AND THE LABOR MINISTER.

6. COMMENT: IT IS DIFFICULT AT THIS TIME TO TELL
WHICH OF THE TWO EXPLANATIONS ABOVE FITS THE FACTS
BETTER. WE ARE INCLINED, HOWEVER, TO GIVE HIGHER
PLAUSIBILITY MARKS TO THE FIRST HYPOTHESIS BECAUSE IT
FITS THE IMAGE FOURCADE HAS CREATED FOR HIMSELF AND
THE PERSISTENT REPORTS THAT THE DIFFERENCES OF
APPROACH TO SOCIAL AND FINANCIAL PROBLEMS BETWEEN HIM
AND PRIME MINISTER ARE REAL AND SIGNIFICANT.

7. IN ANY EVENT THE SS DEFICIT PROBLEM COUPLED WITH
THAT OF THE DWINDLING RESOURCES OF THE UNEMPLOYMENT
INSURANCE FUNDS PRESENT GOF WITH VERY SERIOUS
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CHALLENGES. AS FO PUT IT, THERE ARE TOO MANY
CONFLICTING INTERESTS THAT MUST BE BALANCED OUT. AS
A RESULT, NUMEROUS OFFICIALS ARE KNOWN TO HAVE THROWN
UP THEIR HANDS IN DESPAIR ABOUT ANYONE'S ABILITY TO
COME UP WITH A SOLUTION WHOSE IMPLEMENTATION WOULD
NOT IMPLY CERTAIN POLITICAL RISKS.
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